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Message Text

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TAGS: PFOR, PGOV, EAIR, WB, GW, US, UK, FR, SZ, UR

SUBJECT: BERLIN-ZURICH SERVICE

REF: BONN 17047; BONN 17505; BERN 4904

1. AS DEPARTMENT UNDERSTANDS PRESENT SITUATION WITH REGARD
TO BERLIN-ZURICH SERVICE, BOTH PANAM AND BA HAVE APPLIED
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FOR A DAILY FREQUENCY ON A ROUTE WHICH BOTH CARRIERS SUGGEST

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WILL SUPPORT ONLY ONE ROUND TRIP SERVICE PER DAY. NEITHER CARRIER APPEARS ILLING TO CONCEDE TO THE OTHER THE RIGHT TO OPERATE THE SERVICE EXCLUSIVELY. OUR READING OF THE HISTORY OF THIS ISSUE SUGGESTS THAT THE QUESTION OF WHICH CARRIER FILED FIRST FOR THE ZURICH SERVICE IS UNCLEAR. THUS, NEITHER CAN BE GIVEN AUTHORIZATION SIMPLY ON THE BASIS OF HAVIHG BEEN FIRST IN LINE, ALTHOUGH IF ANYTHING, PANAM'S CLAIM TO THIS POSITION IS SOMEWHAT STROHGER THAN BA'S SIHCE IT APPLIED IN 1974 TO INSTITUTE THE SERVICE. SINCE PAN AM HAS ALSO BEEN WILLING TO EXPERIMENT WITH BOTH NEW INTERNATIONAL (AMSTERDAM) AND NEW IGS (SAARBRUECKEN) SERVICES IN THE PAST, IT IN OUR VIEW HAS A STRONGER CLAIM TO THE RIGHT TO OPEN A NEW ROUTE.

2. MORE IMPORTANT FACTOR IS THE ESTIMATED ANNUAL DIVERSION OF TWO MILLION FROM PANAM'S IGS TRAFFIC THAT OULD RESULT FROM A DAILY BA BERLIN-ZURICH OPERATION. (BA OULD NOT, AS A RESULT OF 1975 ROUTE SWAP, SUFFER THE SAME DEGREE OF DIVERSION FROM A PANAM DAILY BERLIN-ZURICH SERVICE.) ALLIES HAVE LONG MAINTAINED-AND UKG IN ANOTHER CONTEXT HAS RECENTLY REITERATED-THAT FIRST PRIORITY OF BERLIN AVIATION REGULATION SHOULD BE TO GUARANTEE FREQUENT AND REGULAR SERVICE BETWEEN WEST BERLIN AND FRG POINTS. FU,THER, WHILE THERE SHOULD BE AS MANY DIRECT SERVICES AS POSSIBLE TO POINTS OUTSIDE FRG, SUCH SERVICES SHOULD NOT ADVERSELY AFFECT THE PRIORITY IGS SERVICES.

3. A FURTHER CONSIDERATION IS THE CONSIDERABLE INTEREST OF THE BERLIN SENAT AND TRAVELLING PUBLIC IN INSTITUTION OF THE ZURICH SERVICE. BERLIN DEPUTY MAYOR LUEDER MADE A SPECIAL POINT OF ASKING FOR FAST ACTION ON THE ZURICH SERVICE DURING HIS RECENT VISIT TO WASHINGTON. AFTER THE ADVERSE PUBLICITY GENERATED BY THE RECENT FARE INCREASE EXERCISE, PROLONGED HAGGLING OVER THE ZURICH SERVICE COULD DAMAGE THE ALREADY TARNISHED IMAGE OF THE ALLIED CARRIERS EVEN MORE. UNLESS THE TWO CARRIERS CAN PROPOSE WAYS OF RAPIDLY OVERCOMING THE PRESENT STALEMATE, WE SEE NO ALTERNATIVE OTHER THAN A DECISION BY THE THREE GOVERNMENTS TO DESIGNATE ONE OF THE CARRIERS TO COMMENCE
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THE SERVICE. GIVEN THE CONSIDERATIONS DESCRIBED ABOVE, OUR FEELING AT THIS POINT IS THAT THE US WOULD IN SUCH CIRCUMSTANCES PRESS FOR PANAM'S DESIGNATION TO CONDUCT THE SERVICE ON ITS OWN OR FOR SOME FORM OF COMPENSATION TO PANAM IF BA SHOULD BE DESIGNATED.

4. AS EMBASSY HAS POINTED OUT, INFORMAL PROPOSAL OF UK CAA REPORTED IN PARA 4 OF BONN 17505 FOR COOPERATION

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BETWEEN THE TWO CARRIERS ON THE ZURICH SERVICE MAY RAISE ANTI-TRUST QUESTIONS. THE DEPARTMENT CANNOT LEGALLY EXEMPT PANAM FROM ANY ANTI-TRUST IMPLICATIONS BY "AUTHORIZING" IT TO ENTER INTO DISCUSSIONS AND/OR REACH AGREEMENT WITH BA. MOREOVER, DEPARTMENT CANNOT APPROVE THE TWO APPLICATIONS ON THE BASIS OR HOPE THAT SUCH COOPERATION MIGHT MATERIALIZE. WE HAVE ADVISED PANAM THAT IT MUST DECIDE WHETHER IT NEEDS CAB AUTHORITY TO HAVE FURTHER DISCUSSIONS WITH BA. (ITS INITIAL REACTION IS THAT IT DOES NOT) WHEN IT HAS DECIDED DEFINITELY THAT IT DOES NOT, WE SHALL SUGGEST THAT IT EXPLORE COOPERATIVE BASIS WITH BA. ANY SUCH SUGGESTION SHOULD BE ACCOMPANIED BY STATEMENT THAT NEITHER DEPARTMENT NOR CAA CAN GRANT PANAM ANY ANTI-TRUST IMMUNITY THAT MAY BE NECESSARY. IF IT DECIDES CA0 AUTHORIZATION IS A REQUISITE TO SUCH DISCUSSIONS, DEPARTMENT WILL SUPPORT AUTHORIZATION.

5. ACTION REQUESTED (BONN): EMBASSY SHOULD MAKE POINTS, IN PARAS 3 AND 4, TO LOCAL PANAM REPS. ADDITIONALLY, DEPARTMENT WOULD BE INTERESTED IN EMBASSY COMMENTS AND REPORTS OF LOCAL PANAM REPS' VIEWS WITH RESPECT TO FOLLOWING.

A. IF DISCUSSIONS CAN TAKE PLACE BETWEEN THE TWO AIRLINES, WHAT ARE THE PROSPECTS FOR EARLY MUTUALLY AGREEABLE ARRANGEMENTS FOR BERLIN-ZURICH SERVICES?

B. SINCE THE IGS SERVICES MOST DAMAGED BY A NON-STOP SERVICE TO ZURICH WOULD BE PANAM'S ROUTES TO FRANKFURT AND MUNICH, HOW WOULD BA PROPOSE TO COMPENSATE PANAM FOR LOSSES ON THESE RUNS IF IT WERE AWARDED EXCLUSIVE RIGHTS TO ZURICH?

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C. HOW WOULD THE CARRIERS PROPOSE TO HANDLE ANY FURTHER INTERNATIONAL CONNECTIONS TO BERLIN IF AGREEMENT ON A ZURICH SERVICE COULD BE REACHED?

6. EMBASSY SHOULD ALSO MAKE POINTS, IN PARA 3 AND 4,

AND POSE PRECEDING QUESTIONS AT NEXT CAA MEETING.

7. EMBASSY BERN IS REQUESTED TO INCLUDE BONN, BERLIN, USBERLIN, LONDON AND PARIS AS INFO ADDRESSEES ON FUTURE MESSAGES DEALING WITH ZURICH-BERLIN SERVICE. KISSINGER

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